

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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Person To Contact:

ID No.

Telephone Number:

Refer Reply To:

CC:CORP:4

PLR-114040-13

Date:

May 02, 2013

Legend:

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

a =

b =

Dear :

This letter responds to your March 25, 2013, letter requesting that we supplement a private letter ruling dated January 30, 2013 (PLR-126949-12) (the "Original Ruling"). The information submitted for the Original Ruling and this supplemental request is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Parent is the common parent of a consolidated group (the "Parent Consolidated Group"). Parent indirectly owns all of the stock of Sub 1. Sub 1 owns all of the stock of Sub 2 and Sub 3. Sub 2 owns all of the stock of Sub 4. Sub 4 owns all of the common stock and the majority by vote and value of the preferred stock of Sub 5. Sub 3 owns all of the only class of stock of Sub 6 outstanding. Sub 6 owns all the common stock and

the majority by vote and value of the preferred stock of Sub 7, Sub 8, and Sub 9 (collectively, the “Sub 6 Subs”).

Sub 1, Sub 2, Sub 3, Sub 4, and Sub 6 are each members of the Parent Consolidated Group. Sub 5, Sub 7, Sub 8, and Sub 9 are not members of the Parent Consolidated Group. Sub 6 does not own shares in any member of the Parent Consolidated Group.

The Proposed Transaction

The following steps constitute the “Proposed Transaction”:

1. Sub 3 will sell, at fair market value, a percent of the common stock of Sub 6 (the “Transferred Shares”) to Sub 5 in exchange for non-qualified preferred stock of Sub 5 (the “NQPS”) (the “Share Sale”). As a result of the Share Sale, Sub 6 will cease to be a member of the Parent Consolidated Group.
2. At least one day after the Share Sale, it is expected that Sub 3 and Sub 5, as the shareholders of Sub 6, will consider adopting a plan to liquidate Sub 6 (the “Sub 6 Liquidation Plan”).
3. If the Sub 6 Liquidation Plan is adopted, Sub 6 will liquidate, distributing a percent of its assets to Sub 5 and b percent of its assets to Sub 3 (the “Sub 6 Liquidation”).

Although there are no specific plans currently, sometime after the Proposed Transaction, Sub 3 may merge into a direct or indirect subsidiary of Sub 1, other than Sub 5 (the “Potential Post-Liquidation Merger”).

Representations

The Share Sale:

The following representations have been made with respect to the Share Sale:

- (a) The NQPS qualifies as preferred stock within the meaning of § 351(g).
- (b) Following the Share Sale: (i) Sub 5 will become the legal owner of the Transferred Shares; (ii) the Share Sale will be duly recorded on the records of Sub 6; (iii) Sub 5 will have complete dominion and control over the Transferred Shares; (iv) Sub 5 will have the right to vote on all shareholder resolutions with respect to the Transferred Shares; (v) the Transferred Shares will provide Sub 5 the right to its proportionate share of current distributions; (vi) the Transferred Shares will provide Sub 5 the right to its proportionate share of the net assets of Sub 6 if Sub 6 were to liquidate; (vii) Sub 5 will not hold itself out as owning the Transferred Shares as an agent, trustee, or nominee (or in any similar role) for another person.

(c) The fair market value of the Transferred Shares will approximately equal the fair market value of the NQPS, exchanged therefor.

(d) To the extent that any share of Sub 6 stock held by Sub 3 is a loss share within the meaning of § 1.1502-36(f)(7), Sub 3 will adjust its basis in its Sub 6 stock to the extent required by § 1.1502-36(b) and (c), or if an election is made under § 1.1502-36(d), to the extent required by that section. Sub 6 will reduce its tax attributes (including its basis in subsidiaries) to the extent required by § 1.1502-36(d). In each case, all reductions will be made immediately before Sub 6 ceases to be a member of the Parent Consolidated Group.

The Sub 6 Liquidation

The following representations have been made with respect to the Sub 6 Liquidation:

(e) No person with authority to authorize or direct the Sub 6 Liquidation will provide the authorization or direction until after the Share Sale.

(f) No property will have been contributed to Sub 6 as part of a plan a principal purpose of which is to recognize a loss by Sub 5 or Sub 3 with respect to that property in connection with the Sub 6 Liquidation.

(g) Other than the Share Sale and the Potential Post-Transaction Merger, the Sub 6 Liquidation will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the business or assets of Sub 6, if a person holding more than 20 percent in value of the stock in Sub 6 also holds more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318, as modified by § 304(c)(3).

(h) On the date of the Sub 6 Liquidation, the aggregate fair market value of Sub 6's assets will exceed the total amount of its liabilities and the liabilities to which any of its assets are subject.

(i) No distribution of assets representing earned but unreported income will be made by Sub 6 to its shareholders in the Sub 6 Liquidation.

(j) The Sub 6 Subs are not engaged in the active conduct of a trade or business as defined in § 355(b).

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Proposed Transaction:

The Share Sale

(1) Section 1001 will apply to the Share Sale.

(2) Sub 3 will account for a loss, if any, on the Share Sale under the rules of § 267(f) and the regulations thereunder after taking into account § 1.1502-36.

(3) Sub 3 and Sub 6 must make all adjustments required by § 1.1502-36, to the extent applicable, immediately before Sub 6 ceases to be a member of the Parent Consolidated Group. § 1.1502-36(a)(3)(i) and (f)(10)(i)(B).

The Sub 6 Liquidation

(4) Under § 1.267(f)-1(c)(1)(iv), Sub 3 will not take into account any loss on the Share Sale at the time of the Sub 6 Liquidation, except to the extent required under the matching rule of § 1.1502-13(c) to offset gain recognized by Sub 5 on the Sub 6 Liquidation that is attributable to an increase in the value of the Transferred Shares between the time of the Share Sale and the Sub 6 Liquidation.

(5) The Sub 6 Liquidation will be treated as a complete liquidation of Sub 6 under § 331.

(6) Sub 3 and Sub 5 will each recognize gain or loss with respect to its Sub 6 shares in an amount equal to the difference between the fair market value of the property distributed to Sub 3 and Sub 5, respectively, and each shareholder's adjusted basis in its Sub 6 shares. § 331(a). Sub 3's adjusted basis used to determine its gain or loss on the Sub 6 Liquidation must take into account any adjustments under § 1.1502-36 required as a result of Sub 6 ceasing to be a member of the Parent Consolidated Group in the Share Sale.

(7) Any loss recognized by Sub 3 or Sub 5 under § 331 in connection with the Sub 6 Liquidation will not be deferred under § 267(f)(2). § 267(a)(1).

(8) Gain or loss will be recognized by Sub 6 in connection with the distribution of its property in the Sub 6 Liquidation in an amount equal to the difference between the fair market value of the property on the date of distribution (or, if greater, the amount of any Sub 6's liabilities to which the property is subject) and its adjusted basis (after application of § 1.1502-36(d), to the extent applicable, immediately before Sub 6 ceased to be a member of the Parent Consolidated Group in the Share Sale) in the property. § 336(a) and (b). The gain or loss will be computed on a property-by-property basis. However, no loss will be recognized by Sub 6 in connection with the distribution of any property described in § 336(d)(1)(B).

(9) Any loss recognized by Sub 6 under § 336(a) will not be deferred under § 267(f)(2). § 267(a)(1).

Caveats

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. We express no opinion as to the treatment of the Proposed Transaction under other provisions of the Code and regulations or the treatment of any conditions existing at the time or as a result of the Proposed Transaction that are not specifically covered by the rulings.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Lawrence M. Axelrod
Special Counsel to the Associate Chief Counsel
(Corporate)

cc: